Commercial Market Opportunities

Tom O'Flaherty

Vice President

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INPUT's 1994 Federal IT Market Conference

Agenda

- Why consider the commercial market?
- Barriers to federal vendors
- Potential federal vendor strengths
- The technology-based opportunity in systems integration
- Conclusions and recommendations

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Notes:

Why Consider the Commercial Market?

- Growth
- Margins
- Many large projects

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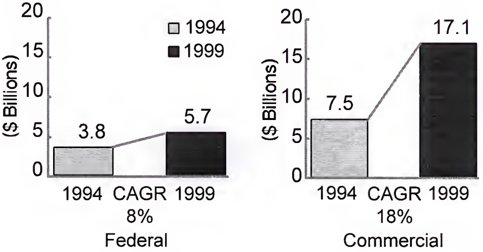
Notes:

SI Market Growth



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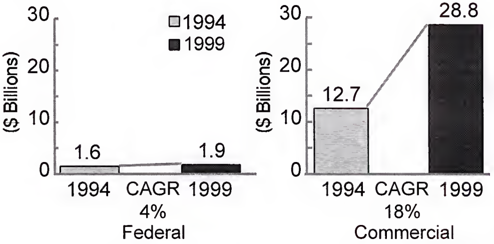
Notes:

Outsourcing Market Growth



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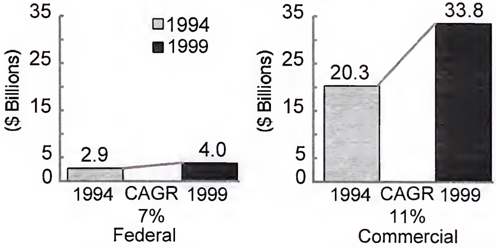
Notes:

Professional Services Market Growth



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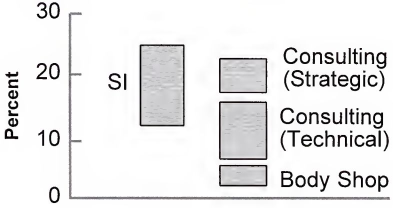
Notes:

Attainable Commercial Pre-Tax Margins



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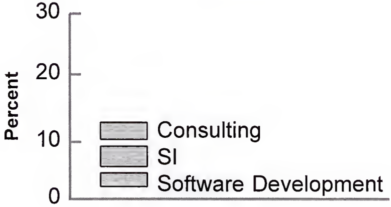
Notes:

Attainable Federal Pre-Tax Margins



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Notes:

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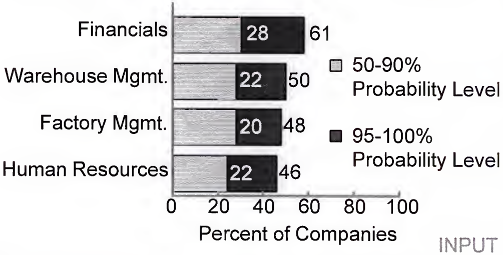
Probability of Replacing Applications—Next Five Years



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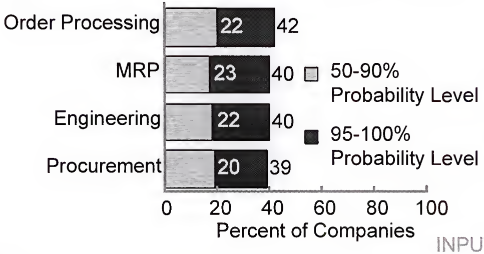
Notes:

Probability of Replacing Applications—Next Five Years



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Notes:

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Barriers to Entering the Commercial Market

- Strategic
- Operational

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Notes:

Strategic Barriers

- History: diversification failures
- Resources required
- Business risk

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Notes:

Operational Barriers

- Solution-oriented commercial markets
  - Industry knowledge (e.g., for BPR)
  - Specific applications expertise
  - Customer partnerships
- Clash of sales cultures
  - Reactive vs. proactive
  - Formal vs flexible
  - Customer partnerships

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Notes:

Potential Strengths
Experience

- Project management
- Alliances (subcontracting)
- Technology

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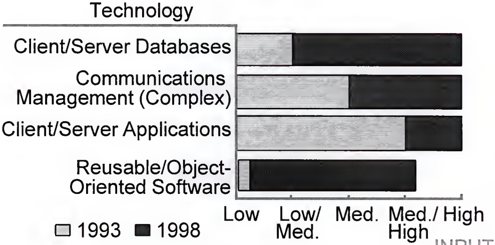
Notes:

SI-related Technologies Importance



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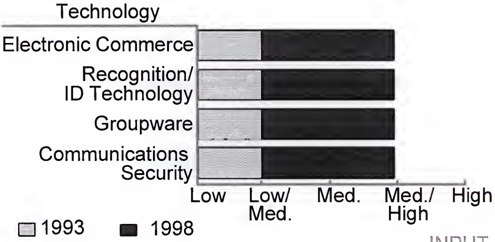
Notes:

SI-related Technologies Importance



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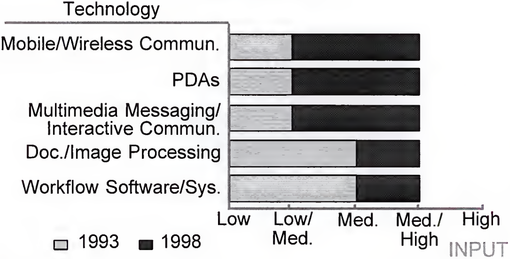
Notes:

SI-related Technologies Importance



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Notes:

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Technology Example: Imaging

- High growth market
- State of the art federal imaging (for now)
- Federal imaging: lack of leverage (e.g., fingerprinting)
- Commercial vendors need technology expertise, expect alliances

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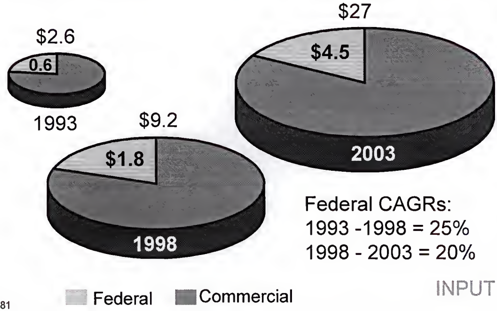
Notes:

Imaging Market ($ Billions)



Federal CAGRs:
1993 -1998 = 25%
1998 - 2003 = 20%

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Notes:

Includes:

- Imaging hardware, software and services sold separately or together
- Includes processing services and outsourcing services for 1988 and 2003

Federal Imaging Applications Examples

- SEC records
- IRS SCRIPS
- FDA submissions
- Navy EDMICS
- CALS
- Criminal information
- Army personnel records
- Patent applications
- Military eng. drawings
- Weather
- Accounting
- Air Force (AF CAL)
- Air Force record mgmt.
- Social Security inquiry

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Notes:

Federal Technology Issues

- Overspecialization
- Overspecification
- Overconfidence
  (commercial leapfrogging)

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Notes:

Conclusions

- High rate of technical infusion in commercial market
- Commercial solutions will have a high—and increasing—technology component
- Opportunity for technology-based partnerships

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Notes:

Recommendations: Technology-Based Partnerships

- Longer-term than in federal market
- Nonexclusive, but limited (critical mass)
- Medium-term, *de facto* noncompete
- Very limited marketing investment
- Longer term possibility of independent operations

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Notes:

THOMAS J. O'FLAHERTY
VICE PRESIDENT

PROFILE

CAPABILITIES

- Provide consulting advice on market strategy, new products and services, and growth/diversification alternatives. Two systems initiatives added $13 million and $21 million to the bottom line.
- Design and manage research projects for determining market needs, competitive positioning, and the viability of products and services.
- Experience includes over 250 research and consulting assignments for clients ranging from start-ups to firms such as ADP, American Express, Ameritech, Andersen Consulting, AT&T, BMW, Boeing, Citicorp, Continental Insurance, Coopers & Lybrand, Digital Equipment Corporation, Ernst & Young, Ford Aerospace, General Motors, GTE, IBM, ITT, Marriott Corporation, MCI, McKinsey & Co., Mobil, NEC, Oracle, TRW, and Unisys.

BACKGROUND

- Director of Research, Broadview Associates. Responsible for company analysis, client consulting, and proprietary database development for an international investment banking firm specializing in information technology.
- Principal, Information Service Strategies. Consultant on markets and products. Marketing Director for start-up firm offering innovative PC communications product.
- Principal Consultant, INPUT. Directed research and consulting projects for a variety of clients.
- Hands-on experience at every IS department level, including IS Director.

EDUCATION/PROFESSIONAL ACTIVITIES

- B.A., Colgate University.
- Certificate in Data Processing (CDP).
- Member of the ACM, the Society for Information Management, and a founding member of the American Association for Medical Systems and Informatics. Frequent speaker to professional groups.
- Regular contributor to *Computerworld* Softline column, 1983-1990.
- The Consulting Editor, *Software Engineering*, since 1991.